

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

CASEVILLE HOUSING COMMISSION

Financial Statements

March 31, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

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Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
Caseville Commission
6905 N. Caseville Road
Caseville, Michigan 48725

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Caseville Housing Commission as of and for the year ended March 31, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments* as of October 1, 2002. This results in a change in the format and content of the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Caseville Housing Commission as of March 31, 2005, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

July 22, 2005

This discussion and analysis of the Caseville Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2005</u>	<u>Year 2004</u>
Operating Subsidies	\$ 40,161	\$ 41,755
Capital Projects Funds	77,782	50,954

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 31,874	\$ 66,191	(34,317)
Accounts Receivable	5	2,172	(2,167)
Investments			
(Restricted/Unrestricted)	138,979	135,143	3,836
Prepaid Expenses	6,142	5,888	254
Fixed Assets, prior to			
Depreciation	1,793,081	1,723,581	69,500
Total Liabilities	29,024	40,654	(11,630)
Net Assets	1,278,132	1,284,993	(6,861)

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	97,743	110,680	(12,937)
HUD Grants	117,943	92,709	25,234
Expenses:			
Administrative	71,115	77,501	(6,386)
Tenant Services	2,234	1,972	262
Utilities	22,471	22,066	405
Maintenance & Operations	58,992	46,840	12,152
Protective Services	0	301	(301)
General Expenses	<u>15,464</u>	<u>21,913</u>	(6,267)
Total Operating Expenses	<u>170,276</u>	<u>170,593</u>	(317)
Extra Ordinary Maintenance	1,183	2,495	(1,312)
Depreciation Expense	58,097	55,779	2,318

The Commission's cash position decreased during the year, our investments increased; our fixed assets before depreciation increased, total liabilities decreased, and Net Assets decreased. HUD grants increased, general expenses in total remained unchanged, and depreciation increased.

Our cash position decreased as a result of reducing our liabilities by \$ 11,630, increasing our investments \$ 3,836, and supplementing our operations. Our tenant revenues decreased by \$ 12,937 as a result of unexpected vacancies and a general decrease in tenant income and rents paid.

Our Capital purchases included: replacement of roofs on two buildings, replacement of window weather-stripping, the purchase of two new computer systems, installation of a new sidewalk, installation of asphalt parking area and other miscellaneous improvements.

Our net assets decreased by the net loss for the year of \$ 6,861

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year.

Total expenses before non operating charges of extra ordinary maintenance and depreciation decreased an insignificant amount during the year; some expense line items were reclassified during the year, however, the operations remained unchanged during the year.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2005</u>	<u>Year 2004</u>
Low Rent Public Housing	47	47

General Fund Budgetary Highlights

The Commission approved an operating budget on March 31, 2004 for the fiscal year ending March 31, 2005, and revised on March 30, 2005, to more closely reflect the operations for the year. The significant changes in the two budgets were as follows:

	<u>3/31/04.</u>	<u>3/30/05.</u>	<u>Increase/ (Decrease)</u>
Tenant Rents	\$ 111,240	\$ 97,000	\$ (14,240)
HUD Subsidies	58,973	70,622	11,649
Materials & Contract Cost	21,750	31,790	10,040
Total Operating Profit (Loss)	(19,317)	(30,378)	11,061

Our actual operating loss was 25,363. We realized an operating profit from our Capital Fund program of \$ 77,782; after Non operating activity we had a net loss of \$ 6,861.

Entity Wide Capital Assets

The fixed assets increased \$ 69,500 prior to depreciation. The additions included roof repairs, parking lot repairs and stripping, patio completion and miscellaneous site improvements. We used \$ 40,161 from our Capital Fund and the balance from our operations to pay for the asset additions.

Commission's Position

We are in the process of investigating the possibilities of converting several units to assisted living units; the ultimate decision will depend on State sponsored Medicare Waiver payments and other funding that is yet to be determined. However, we recognize the need for such units and will continue to research the possibilities.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Jane Rosenau, Executive Director
6925 N. Caseville Road
Caseville, Michigan 48725

CASEVILLE HOUSING COMMISSION
Statement of Net Assets
March 31, 2005

ASSETS

C-3219

CURRENT ASSETS

Cash	\$	31,874	
Accounts Receivable		5	
Investments		138,979	
Prepaid Expenses		<u>6,142</u>	
Total Current Assets	\$		181,240

NON CURRENT ASSETS

Land	\$	75,000	
Buildings		1,636,105	
Furniture, Equipment- Dwellings		9,668	
Furniture, Equipment- Administrative		57,197	
Construction in Progress-Land Improvements		15,111	
Accumulated Depreciation		<u>(667,165)</u>	
Total Non Current Assets			<u>1,125,916</u>

TOTAL ASSETS \$ 1,307,156

CASEVILLE HOUSING COMMISSION
Statements of Net Assets
March 31, 2005

LIABILITIES

C-3219

CURRENT LIABILITIES

Accounts Payable	\$	6,865	
Accrued Wages & Payroll Taxes		1,545	
Accrued Compensated Absences		1,814	
Accounts Payable-Other Governments		7,466	
Tenants Security Deposit		<u>11,334</u>	
 <u>Total Liabilities</u>			\$ <u>29,024</u>

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	1,125,916	
Unrestricted Net Assets		<u>152,216</u>	
 <u>Total Net Assets</u>			\$ <u>1,278,132</u>

The Accompanying Notes are an Integral part of the Financial Statements

CASEVILLE HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended March 31, 2005

OPERATING REVENUE

Tenant Rental Revenue	\$ 97,097	
Tenant Revenue-Other	646	
HUD Grants	117,943	
Interest Income	4,009	
Other Income	<u>3,000</u>	
<u>Total Revenue</u>		\$ 222,695

OPERATING EXPENSES

Administrative	\$ 71,115	
Tenant Services	2,234	
Utility Expenses	22,471	
Ordinary Maintenance	58,992	
General Expenses	<u>15,464</u>	
<u>Total Expenses</u>		<u>170,276</u>
<u>Operating Income (Loss)</u>		\$ 52,419

NONOPERATING REVENUE (EXPENSES)

Extraordinary Maintenance	\$ (1,183)	
Depreciation Expenses	<u>(58,097)</u>	
<u>Total Nonoperating Revenue (Expenses)</u>		<u>(59,280)</u>
<u>Change in Net Assets</u>		\$ (6,861)
Total Net Assets- Beginning		<u>1,284,993</u>
Total Net Assets- Ending		\$ <u>1,278,132</u>

The Accompanying Notes are an Integral part of the Financial Statements

CASEVILLE HOUSING COMMISSION
Statement of Cash Flows
For the Year Ended March 31, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 97,738
Payments to Suppliers	(117,196)
Payments to Employees	(70,311)
HUD Grants	117,943
Other Receipts (Payments)	<u>7,009</u>
Net Cash Provided (Used) by Operating Activities	\$ 35,183

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(69,500)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (34,317)
Balance- Beginning of Year	<u>66,191</u>
Balance- End of Year	\$ <u>31,874</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (6,861)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	58,097
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	2,167
Investments	(11,666)
Prepaid Expenses	(254)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(5,257)
Accrued Wages & Payroll Taxes	(2,487)
Accounts Payable- Other Governments	1,345
Security Deposits	142
Deferred Revenue	<u>(43)</u>
Net Cash Provided by Operating Activities	\$ <u>35,183</u>

The Accompanying Notes are an Integral part of the Financial Statements

CASEVILLE HOUSING COMMISSION
Notes to Financial Statements
March 31, 2005

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Caseville Housing Commission, Caseville, Michigan, (Commission) was created by ordinance of the city of Caseville. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 191-1	Low rent program	47 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, no component units exist.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis- for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Housing Commission's financial position and results of operations.
- Financial Statements prepared using full accrual accounting for all the Commission's activities.

A change in the fund financial statements to focus on the major funds.

Notes to Financial Statements- continued

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Notes to the Financial Statements- continued

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Account	\$ 18,011
Petty Cash	50
Savings Account	<u>13,813</u>
Financial Statement Total	\$ <u>31,874</u>

Investments:

Certificates of Deposit	\$ <u>138,979</u>
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Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 18,011	\$	\$	\$ 18,011	\$ 18,011
Savings Account	13,813			13,813	13,813
Petty Cash	50			50	50
Total Cash	\$ <u>31,874</u>	\$	\$	\$ <u>31,874</u>	\$ <u>31,874</u>
Investments:					
C/D's	\$ <u>138,979</u>	\$	\$	\$ <u>138,979</u>	\$ <u>138,979</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Notes to Financial Statements- continued

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 75,000	\$	\$	\$ 75,000
Buildings	1,582,551	53,554		1,636,105
Furniture & Equipment-Dwellings	9,668			9,668
Furniture & Equipment-Admin	53,736	3,461		57,197
Leasehold Improvements	<u>2,626</u>	<u>12,485</u>		<u>15,111</u>
	\$ 1,723,581	\$ 69,500	\$	\$ 1,793,081
Less Accumulated Depreciation	<u>609,069</u>	<u>58,097</u>		<u>667,165</u>
	<u>\$ 1,114,512</u>	<u>\$ 11,403</u>	<u>\$ 0</u>	<u>\$ 1,125,916</u>

Note 4: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 2,850,000
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan	

Note 5: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Caseville Housing Commission

31-Mar-05

MI-191

	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	31,874		31,874
112	Cash - restricted - modernization and developmer		-	-
113	Cash - other restrictec			-
114	Cash - tenant security deposit	-	-	-
100	Total cash	31,874	-	31,874
	Accounts and notes receivables			
121	Accounts receivable - PHA project			-
122	Accounts receivable - HUD other project	3,453	346	3,799
124	Accounts receivable - other governmen			-
125	Accounts receivable - miscellaneou	-	-	-
126	Accounts receivable- tenants - dwelling reni	5		5
126.1	Allowance for doubtful accounts - dwelling rent	-		-
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivabl	441		441
120	Total receivables, net of allowances for doubtful account	3,899	346	4,245
	Current investments			-
131	Investments - unrestricted	138,979		138,979
132	Investments - restrictec			-
142	Prepaid expenses and other asset	6,142	-	6,142
143	Inventories	-	-	-
143.1	Allowance for obsolete inventorie	-	-	-
144	Interprogram - due fron	346	-	346
146	Amounts to be providec			-
150	TOTAL CURRENT ASSETS	181,240	346	181,586
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	75,000	-	75,000
162	Buildings	1,598,053	38,052	1,636,105
163	Furniture, equipment & machinery - dwelling	9,668	-	9,668
164	Furniture, equipment & macinery - admininstratio	50,156	7,041	57,197
165	Leasehold improvement:	-	15,111	15,111
166	Accumulated depreciator	(664,008)	(3,157)	(667,165)
160	Total fixed assets, net of accumulated depreciatio	1,068,869	57,047	1,125,916
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debit:			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	1,068,869	57,047	1,125,916
190	TOTAL ASSETS	1,250,109	57,393	1,307,502

	LIABILITIES AND EQUITY:			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	6,865	-	6,865
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	1,545	-	1,545
322	Accrued compensated absence	1,814	-	1,814
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	7,466	-	7,466
341	Tenant security deposits	11,334	-	11,334
342	Deferred revenues		-	-
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities			-
346	Accrued liabilities - other	-		-
347	Inter-program - due to	-	346	346
310	TOTAL CURRENT LIABILITIES	29,024	346	29,370
	NONCURRENT LIABILITIES:			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing			-
353	Noncurrent liabilities- other	-		-
350	TOTAL NONCURRENT LIABILITIES		-	-
300	TOTAL LIABILITIES	29,024	346	29,370
	EQUITY:			
501	Investment in general fixed asset			-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantees	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	1,068,869	57,047	1,125,916
	Reserved fund balance			-
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	152,216		152,216
513	TOTAL EQUITY	1,221,085	57,047	1,278,132
600	TOTAL LIABILITIES AND EQUITY	1,250,109	57,393	1,307,502

Proof of concept

- - -

Caseville Housing Commission

31-Mar-05

MI-191

Combining Income Statement		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	REVENUE:			
703	Net tenant rental revenue	97,097		97,097
704	Tenant revenue - other	646	-	646
705	Total tenant revenue	97,743	-	97,743
706	HUD PHA grants	40,161	77,782	117,943
708	Other government grants			-
711	Investment income - unrestricted	4,009	-	4,009
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	3,000		3,000
716	Gain or loss on the sale of fixed asset			-
720	Investment income - restricted			-
700	TOTAL REVENUE	144,913	77,782	222,695
	EXPENSES:			
	Administrative			
911	Administrative Salaries	45,287	-	45,287
912	Auditing Fees	2,000		2,000
913	Outside management fee			-
914	Compensated absence	(899)		(899)
915	Employee benefit contributions-administrative	11,016	-	11,016
916	Other operating administrative	13,711	-	13,711
	Tenant services			
921	Tenant services - salaries	-	-	-
922	Relocation costs		-	-
923	Employee benefit contributions- tenant service	-	-	-
924	Tenant services - other	2,234	-	2,234
	Utilities			
931	Water	13,932	-	13,932
932	Electricity	4,306	-	4,306
933	Gas	4,233	-	4,233
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	25,024	-	25,024
942	Ordinary maintenance and operations - materials & other	7,460	-	7,460
943	Ordinary maintenance and operations - contract cost	23,610	-	23,610
945	Employee benefit contributions- ordinary maintenance	2,898	-	2,898
	Protective services			
951	Protective services - labor			-

952	Protective services- other contract cost	-		-
953	Protective services - othe			-
955	Employee benefit contributions- protective service			-
	General expenses			
961	Insurance premiums	7,997	-	7,997
962	Other General Expense		-	-
963	Payments in lieu of taxes	7,467		7,467
964	Bad debt - tenant rent	-	-	-
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense		-	-
968	Severance expense	-		-
969	TOTAL OPERATING EXPENSES	170,276	-	170,276
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(25,363)	77,782	52,419
971	Extraordinary maintenance	1,183		1,183
972	Casualty losses - non-capitalize			-
973	Housing assistance payment			-
974	Depreciation expense	55,571	2,526	58,097
975	Fraud losses			-
976	Capital outlays- governmental fund	-		-
977	Debt principal payment- governmental fund			-
978	Dwelling units rent expense			-
900	TOTAL EXPENSES	227,030	2,526	229,556
	OTHER FINANCING SOURCES (USES)			
1001	Operating transfers in (out)	30,461	(30,461)	-
1002	Operating transfers out			
1003	Operating transfers from/to primary government			
1004	Operating transfers from/to component unit			
1005	Proceeds from notes, loans and bonds			
1006	Proceeds from property sales			
1010	TOTAL OTHER FINANCING SOURCES (USES)	30,461	(30,461)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(51,656)	44,795	(6,861)
MEMO account information				
1101	Capital contributions			
1102	Debt principal payments- enterprise fund	-	-	-
1103	Beginning equity	-	-	-
1104	Prior period adjustments and equity transfer	-		-
1105	Changes in compensated absence liability balance (in the GLTDAC			-
1106	Changes in contingent liability balance (in the GLTDAG			-
1107	Changes in unrecognized pension transition liability (in the GLTDAC			-
1108	Changes in special term/severance benefits liability (in the GLTDAC			-
1109	Changes in allowance for doubtful accounts - dwelling ren			-
1110	Changes in allowance for doubtful accounts - othe			-
1112	Depreciation "add back"	-		-
1113	Maximum annual contributions commitment (per ACC		-	
1114	Prorata maximum annual contributions applicable to : period of less than twelve month			
1115	Contingency reserve, ACC program reserv		-	
1116	Total annual contributions available		-	
1120	Unit months available	-	-	-
1121	Number of unit months lease	-	-	-

Equity Roll Forward Test

Calculation from R/E Statement

B/S Line 513

(51,656)

44,795

1,221,085

57,047

Sum of A:

Sum of B:

CASEVILLE HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2005

The prior audit of the Caseville Housing Commission for the period ended March 31, 2004, did not contain any audit findings

CASEVILLE HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2005

I have audited the financial statements of Caseville Housing Commission, Caseville, Michigan, as of and for the year ended March 31, 2005, and have issued my report thereon dated July 22, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Caseville Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Caseville Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

July 22, 2005

CASEVILLE HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2005

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Projects Funds		X

Opinions:

General Purpose Financial Statements-

Unqualified

Report on compliance for major programs-

Unqualified

Thresholds

Dollar limit used to determine type A & B programs- \$ 300,000

2) Findings relating to the financial statements reported in accordance with
Government Auditing Standards:

None

3) Findings and Questioned Costs relating to Federal Awards:

None